Budget 2010 11

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BUDGET SPEECH

Québec

Budget 2010 11

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by Raymond Bachand,
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INTRODUCTION

Mr. President:

Today, I have the honour of tabling our government's budget before you.

The budget I am tabling today lays the groundwork for Québec's future, while enabling us to meet our immediate challenges. Such a budget would never have seen the day without the unconditional support of the premier. I therefore want to thank our premier for his support during its preparation.

Fifty years ago this year, premier Jean Lesage, who was also finance minister, delivered his first budget speech.

> In my view, the budget . . . is the translation into action of our commitments, and we are sure that the people of Quebec will be grateful to us for the constructive measures we have taken, and propose to take, to give new momentum to the prosperity of the Province and the welfare of its people.

It was the beginning of the Quiet Revolution: a period of economic, social and cultural transformation, the impact of which is still being felt two generations later.

The world has changed a great deal since then. But the budget continues to pursue the objective stated by Jean Lesage: the prosperity of Québec and the well-being of the population at large.

Thus, this budget takes a stand for the common good of Quebecers—those of today as well as tomorrow. Our decisions today will condition the options that will be available 20 years from now to the roughly 90 000 Quebecers who will be born this year. Our duty of solidarity extends to those children and the hundreds of thousands of others who will follow them.

With that in mind, last fall we undertook a vast consultation of Quebecers.

We solicited their opinion on the key economic policies to be adopted to ensure Québec's development.

In addition, we consulted the population and our partners about the means to be implemented to restore budgetary balance and reduce the debt burden, while respecting our collective values.

I want to underscore the major contribution of my parliamentary assistant, the MNA for Viau, to the consultation process.

Tens of thousands of Quebecers from all walks of life and all regions shared their concerns and suggestions with us either via the Internet or at one of many meetings, such as the Economic Meeting 2010 called by the premier.

What do we want for Quebecers who will be 20 years old in 2030? We want them to have the opportunity to fulfil their ambitions, whether the ambitions are played out on the world stage or within a community in a particular neighbourhood or village. We want to pass on to them a Québec in which personal enrichment, in every sense of the word, is possible; a Québec concerned with using its collective wealth judiciously, efficiently and equitably; a Québec whose citizens, through solidarity with one another and a sense of responsibility, do not sign away wealth that has not yet been created. In short, a determined but compassionate Québec; an ambitious Québec, one that has the courage of its ambitions.

To achieve their ambitions, Quebecers must take up three challenges addressed in this budget.

The first challenge stems from the economic situation and commands that action be taken in the short term.

The second challenge is posed by the imbalance in Québec's public finances, which must be resolved in the medium term.

The third challenge is that of demographics, with its consequences for our development potential in the long term.

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To start with, a few words about the economic situation.

In response to the global economic crisis, the governments of all industrialized countries implemented recovery plans of unprecedented scale. Through that well coordinated action, it was possible to soften the blow and ride out the recession.

From the standpoint of both production and employment, Québec weathered the economic slowdown better than its neighbours. Our unemployment rate is lower than Ontario's and Canada's as a whole—a situation not seen in 30 years. It is even lower than it was when we were elected in 2003, despite the fact that we are just now coming out of a recession.

As of 2010, the Québec economy should grow by 2.3%. In the end, the recession from which we are only now emerging was not as long or as deep as the ones of 1981-1982 and 1990-1991, due in large part to the action we took. The jobs created since July have already offset nearly three quarters of the job losses between October 2008 and July 2009.

That is irrefutable proof that we have gotten things right and fulfilled the mandate given to us in the last election campaign. We took prompt action with an effective recovery plan. Our targeted and immediate measures have supported our economy and protected Quebecers' jobs. Our infrastructure plan and our energy investments have helped sustain economic activity.

We also created a fiscal environment favourable to business investment.

We waged an effective fight against poverty. In just a few years, Québec's poverty rate, in terms of the number of households, fell from over 10% to 6%. In Canada, only Alberta out-performed us in this respect.

Major investments for seniors have enabled them to improve their quality of life and stay longer in their community.

Recovery is under way, but it cannot be taken for granted.

This budget proposes short-term strategies for solidifying recovery of the Québec economy.

Our second challenge concerns the imbalance in our public finances.

Over the years, Québec has given itself the biggest basket of public services in North America.

In fact, the Québec government funds 26% more services than Ontario. That represents an annual amount of more than $17.5 billion, for an average of $2 250 per Quebecer—man, woman and child. That gap has more than tripled in the last 20 years. But our collective wealth, that is, our ability to pay for those services, is 14% below that of Ontario.

That level of services comes with a price. Nothing we expect the government to provide is free. Either the user pays, or the population as a whole pays on behalf of the user. That alternative raises issues relative to budgetary balance, issues relative to resource efficiency and issues relative to fair distribution of the financial burden borne by taxpayers.

This budget therefore proposes strategies for the medium term aimed at making each of us—government, businesses and citizens alike—more responsible for the management and use of our services. It also proposes strategies aimed at correcting the increasing imbalance in the funding of our public services, made all the more pressing by our demographic situation.

Our third challenge is posed, in fact, by our demographics. The Québec population is aging, like that of all industrialized countries. What sets us apart is the rapidity with which it is happening here. In 2014, four years from now, the number of Quebecers of working age will start to decline. There will soon be fewer workers to create wealth and pay for our public services. At the same time, our rapidly aging population will put more pressure on our health system. Hence the importance of balancing the funding of our public services and reducing the level of our indebtedness.

The demographic challenge also raises longer-term issues with respect to our growth potential. If we were to let our economy adapt naturally to the aging of the population, it would take barely ten years for our economic growth to fall by one third of its average over the last 27 years.

Quebecers have the ambition to do better. We have the ambition to do better. This budget proposes strategies to make that happen.

1. IN THE SHORT TERM: SOLIDIFYING RECOVERY

The prosperity and well-being of Québec demands that, in the short term, we solidify economic recovery.

We were less hard hit by the global recession than elsewhere. That is because our government did not wait to take action.

— We maintained services for Quebecers, especially for families and seniors.

— We helped provide hundreds of businesses with the cash resources needed to keep Quebecers working.

— We protected thousands of jobs and supported workers through training programs tailored to their need.

Continuation of the action plan

Overall, the government and its partners will have injected additional cash resources of $15 billion—4.9% of the province's GDP—in 2009 and 2010.

That has translated into tangible, immediate benefits for Quebecers. For example:

— The Employment Pact has helped with the training and integration into jobs of more than 19 500 people.

— The program to support businesses that risk being affected by economic slowdown has enabled 27 000 workers to keep their jobs.

— The Renfort program has helped counter the negative impact of tighter credit conditions by providing funding to approximately 575 companies, for a total of nearly $750 million.

— Each year, the Québec Infrastructure Plan and the energy investment program have maintained or created close to 100 000 jobs.

Quebecers are rightly proud of these results.

We are now deploying with our partners the second half of the recovery plan, by committing the $8.2 billion slated for 2010. We are continuing:

— the Employment Pact Plus;

— the Renfort program for business financing;

— the Québec Infrastructure Plan in 2010-2011.

❑ *New targeted initiatives*

To the existing recovery plan, we are adding initiatives targeting the regions and sectors more affected than others by the recession.

In 2009, employment in the metropolis fell by 4%.

> Consequently, I am announcing, together with the Commission des partenaires du marché du travail, the introduction of the Plan Emploi Métropole.

The plan will include three areas of intervention:

— development of workforce skills;

— support for people looking for work;

— support for entrepreneurship.

My colleague, the Minister of Employment and Social Solidarity, will soon unveil the particulars of the plan.

Québec's prosperity, especially that of its regions, also depends on creating value-added for our forest resources. The forest industry, which employs nearly 70 000 Quebecers in the regions, is going through trying times. The government therefore intends to provide specific support to the industry.

> I am therefore announcing funding of $50.5 million for the Ministère des Ressources naturelles et de la Faune in 2010-2011 to protect, regenerate and increase the forest resource in Québec.

Modern, high-quality infrastructure

In October 2007, the government launched a sweeping plan to renew our infrastructure, primarily in the health and social services, education, transportation and culture sectors.

That was the first phase in one of the biggest undertakings in the history of Québec. It is necessary to continue upgrading public infrastructure as a whole, the upkeep of which has fallen short over the last three decades.

The Québec Infrastructure Plan has generated substantial economic benefits in all regions. It has been one of the cornerstones of economic recovery.

Under the 2009-2014 Québec Infrastructure Plan, we will invest $42.6 billion: $28.5 billion will go toward maintaining our infrastructure—maintenance of the road network, maintenance in good repair of health institutions and renovation of hundreds of schools; $14.1 billion will be put toward the building up of

infrastructure, such as the construction of roads and the addition of beds in hospitals and classes in schools.

Taken together, the public infrastructure program and the Hydro-Québec investment program will total about $14 billion for each of the years 2010 and 2011. Our investments in infrastructure and the energy sector will enable us to create and support 100 000 jobs a year.

❑ *Better funding for our transportation infrastructure*

Major work is being done to upgrade our road network and provide more public transit services.

Currently, contributions from motorists are not applied directly to the funding of transportation infrastructure, which is instead financed through taxes.

Quebecers have told us that they want to know how their money is being spent.

In accordance with the user-payer principle, and as we announced in the previous budget, we are setting up the road and public transit infrastructure fund.

— The bulk of the fuel tax revenues and the driver's licence and vehicle registration fees will be paid into the new fund.

However, these revenues will not be enough to keep pace with the level of investment required. An additional contribution from road users is necessary.

> I am announcing that the fuel tax will be raised 1 cent per litre as of April 1, 2010 and 1 cent per litre a year for the next three years.

These revenues will be allocated in full to the development of public transit and the improvement of our road network.

❑ *Extensive sports infrastructure*

We must also invest in upgrades to our sports infrastructure.

Ice sports are central to our culture. Québec has more than 400 arenas. Most of these buildings are older than the Quebecers who use them. Many of the arenas require major renovations, and their refrigeration or air conditioning systems, which use freon, an environmentally harmful gas whose production or use will be restricted by 2020, need replacing.

> I am announcing that the government will assume half of the costs incurred by the municipalities or organizations that own arenas to modify or replace their refrigeration system.

The government has encouraged a sports culture and actively supported high-performance sport for a number of years. With this in mind, Québec will endorse a possible bid by Québec City to host the Winter Olympic Games. As you know, our athletes participated in half the medals won by Canada at the Vancouver Olympic Games. That performance eloquently demonstrated that supporting athletes yields results. We are maintaining our support.

> I am announcing the creation of the Institut national du sport du Québec.

Located at the Olympic Stadium, the institute will provide all top-level athletes with assistance and support comparable to the best practices in the world.

The Sports and Physical Activity Development Fund, which is funded through tobacco tax revenues, will be allocated additional funding of $209 million to finance these sports facilities.

My colleague, the Minister of Education, Recreation and Sports, will soon unveil the particulars of these investments.

2. IN THE MEDIUM TERM: BALANCING PUBLIC FINANCES TO PROTECT OUR VALUES

The prosperity and well-being of Quebecers necessitate a return to balanced budgets. That is our principal challenge in the medium term.

We ran deficits out of necessity; we are going to eliminate them out of duty.

We must act.

The demographic context compounds this challenge. As of 2014, there will be fewer people of working age to create wealth. The books must therefore be balanced as rapidly as possible.

Accordingly, we have made two fundamental decisions.

First, maintain the services offered to the public.

Second, spare Quebecers the trauma of the past, when abrupt budget adjustments in the form of retirements, salary cuts or improvised cuts in services, were imposed.

We are going to act with determination, while preserving the integrity of our public services.

Quebecers expect more rigour, efficacy and efficiency from government. That is legitimate.

> I am therefore announcing that the government will assume more than 60% of the financial effort required to restore budgetary balance.

Returning to balanced budgets by 2013-2014

In the 2009-2010 Budget, my predecessor, Monique Jérôme-Forget, planned for deficits of $3.9 billion in 2009-2010 and $3.8 billion in 2010-2011.

Last fall's economic update provided for deficits of $4.7 billion for each of these two years.

> I am announcing today that the deficit should be $4.3 billion in 2009-2010 and $4.5 billion in 2010-2011.

These deficits are lower than our fall estimates. As a precaution, our projections include reserve funds of $300 million for each of these fiscal years.

The previous budget presented a plan to restore fiscal balance with an ambitious timetable. We are maintaining the plan. In accordance with the *Balanced Budget Act*, we will attain that balance in 2013-2014.

Without our plan to restore fiscal balance, the 2013-2014 deficit would be $12.3 billion.

Measures totalling $6.3 billion were identified when the plan was announced in March 2009.

A $6-billion shortfall therefore needs to be made up in order to restore budgetary balance. This budget proposes measures that will gradually and fairly bridge that gap.

Controlling our spending

Let's start with spending control.

The Québec government is in good stead in Canada, but we must do better.

From 2003-2004 to 2009-2010, average annual spending growth was 4.8% in Québec. The average of the other provinces, excluding Québec, was 7.6%. Only British Columbia posted a better performance than Québec.

Under the March 2009 plan to restore fiscal balance, spending growth was to be limited to 3.2% for the next four years. We will go further.

> First, I am announcing that we will implement a spending control plan through which program spending growth will be reduced to 2.8% as of 2011-2012, until budgetary balance is restored.

That effort will be demanding for government departments and organizations.

> We will also implement, as of 2010-2011, a new health contribution to provide adequate funding for institutions in the health network.

Implementation of this measure will both increase direct funding for health institutions and reduce program spending growth to 2.9% this year and to 2.2% subsequently. Growth in program funding for health care will be capped at 3.7% in 2010-2011 and at 3.6% per year after that. Introduction of the health contribution will ensure overall health spending growth of 5% a year. I will go into the health contribution in detail in a few moments.

Compared with the trend observed since 2003, meeting this spending target represents a reduction of $1.2 billion in 2010-2011, $2.9 billion in 2011-2012, $4.7 billion in 2012-2013 and $6.6 billion in 2013-2014.

Subsequently, program spending growth will be tied to economic growth. As the members of the Advisory Committee on the Economy and Public Finances pointed out: "the only sustainable way to manage public finances is to ensure that

spending rises at the same pace as the revenues that fund it, i.e. at the same pace as economic growth."

That may seem like just plain common sense. Yet the debt representing our accumulated deficits, for which there are no tangible assets, stands today at more than $100 billion.

❑ *A culture of spending control*

To attain our targets by 2013-2014, we must establish a stronger culture of spending control. I want to emphasize the work of my colleague, the Chair of the Conseil du trésor, who mapped out a concrete action plan to guide our efforts in this respect in the coming years. I have the honour of tabling on her behalf the *2010-2014 Action Plan to Reduce and Control Expenditures – Public Expenditures: Responsible Choices*.

New initiatives by government departments must be funded with existing envelopes. Programs that have ended will not be automatically renewed: the case for renewing them will have to be made.

More fundamentally, the government's efforts to control spending will have three main thrusts: remuneration of personnel, organization of government and ongoing improvement of efficiency.

First thrust: remuneration. The projected spending increase takes into account the offers made to government employees. They have before them an offer that raises their total remuneration by 7% over five years.

The offer is more than reasonable. Most of the other provinces have frozen their employees' pay.

> I am announcing that the government's pay policy will apply to the staff of political offices and to the directors and officers of the civil service, and that it will also be extended to personnel in the health and education networks, universities, public bodies and government corporations. In addition, incentive bonuses will be suspended for senior officers of these same sectors for the next two fiscal years. We will ask the senior officers of government corporations with a commercial or financial mission to make a comparable effort of discipline, based on their particular situation.
>
> In the case of departments and budget-funded bodies, I am announcing a global payroll freeze until 2013-2014. I am also announcing a 10% decrease in administrative operating expenses. Advertising, training and travel costs will also be reduced, by 25%.

As for us, elected officials, we will set the example.

> I am announcing that the salaries of the premier, ministers and MNAs will be frozen for the next two years.

The second thrust of our actions is the organization of government.

In addition to departments, the government has around 200 public bodies. They must be efficient and take advantage of every possibility for economies of scale and pooling resources.

Some 30 organizations will be amalgamated or abolished. For example, the Corporation d'hébergement du Québec will be integrated into the Société immobilière du Québec, and its financial component, into the Ministère des Finances.

These initiatives will decrease the costs associated with the existence of these entities.

From 2004-2005 to 2008-2009, the number of employees in the civil service was reduced by 6%, that is, 4 600 people, under the rule replacing one out of every two employees who retire. No only will this rule continue to apply, but it will be extended to administrative staff in the health and education networks, including directors. Furthermore, contracts for professional services will be systematically examined.

The third thrust of our actions is to improve government efficiency and productivity. We will undertake a systematic evaluation of all programs and of administrative efficiency, particularly as it applies to work organization.

My colleague, the Chair of the Conseil du trésor, will oversee the government's efforts to control spending. She will have the support and cooperation of all members of Cabinet.

❑ *Further efforts*

Our efforts to control spending will also extend to government entities as a whole. They will have to reduce their spending and increase their productivity.

> I am announcing that large commercial government enterprises and public bodies will be obliged to meet demanding productivity and efficiency objectives. The improvements must generate $530 million in 2013-2014, which will go entirely to the plan to restore fiscal balance.

Quebecers want deficit reduction to begin within the government. That is a legitimate request. We are acting on it since over 60% of the effort to restore budgetary balance will be made by the government, of which 46% will be achieved by tightening spending.

Collecting all government revenues

The government must be strict and fair about collecting all revenues owed to it. Neither tax evasion nor tax avoidance will be tolerated. Each dollar owed that is not collected adds to the burden of taxpayers who are in good faith.

We have done a great deal in this regard since 2005. Last fall, we again gave more means and resources to Revenu Québec, which should enable it to collect an extra $900 million in 2013-2014.

Aggressive tax planning refers to operations that respect the letter of the law but betray its spirit. In recent years, the government has collected $500 million by uncovering such schemes.

Last October, I announced the introduction of stricter oversight measures in regard to aggressive tax planning. Québec was the first in Canada to introduce such measures. The federal government followed suit with its budget at the beginning of the month.

To be even more efficient, we will go one step further.

> I am announcing the creation of the Agence du revenu du Québec.

The agency will take over from Revenu Québec as of April 1, 2011. It will be a stand-alone, accountable entity responsible for collecting all government revenues. Collective agreements will of course be respected.

In the wake of the measures already taken, the fight against tax evasion will be stepped up in certain sectors. The government will also intensify the fight against economic and financial crime.

> I am therefore announcing that another $30 million will be allocated to combating tax evasion in 2010-2011.

Our actions will target:

— first, the fight against unreported work in the construction industry. In 2008-2009, our efforts in that regard led to the recovery of more than $250 million;

— second, tax evasion in the restaurant industry. Sales recording modules will be gradually installed in restaurants as of the fall;

— third, the fight against economic and financial crime. The Sûreté du Québec will set up a specialized team to counter economic crime in eastern Québec, to provide reinforcements for the team already in place in Montréal.

These initiatives will lead to the recovery of an additional $300 million in 2013-2014. Together with the $900 million announced last year, that adds up to $1.2 billion that will be brought in by stepping up the fight against tax evasion and tax avoidance.

To further dissuade defrauders, we will raise the maximum prison term for serious tax offences from two to five years less a day.

I will also table in this chamber in the coming weeks a bill concerning money services businesses, such as those that operate exchange offices and automatic tellers. Our objective is to prevent money laundering and the resulting tax losses.

All the measures contained in this budget are explained in detail in the *Additional Information on the Budgetary Measures*, an integral part of this budget.

Mr. President, I am tabling the following tables, which present the preliminary results of the government's consolidated budgetary transactions for 2009-2010, as well as the forecasts for the government's 2010-2011 financial framework. At the same time, I am tabling the *Additional Information on the Budgetary Measures* and the government's *Budget Plan*.

Increasing our revenues to ensure funding for public services

Quebecers want government to be managed rigorously, but they also want services to be maintained. Maintaining them requires substantial and adequate financial resources.

Even if cost management is substantially tightened, government revenues must be increased. At the same time, the negative impact on the competitiveness of our economy must be minimized.

In recent years, we have made our tax system more competitive. But significant gaps with our neighbours remain.

Studies by the Ministère des Finances reach the same conclusions as the OECD and most experts in the field: consumption taxes are less of a drag on economic growth than personal income tax.

Therefore,

> I am announcing that the QST will be increased by another percentage point on January 1, 2012 in order to balance the books and improve the funding of our services.

This increase is in addition to the one-percentage-point increase announced in the budget of March 2009, which will take effect on January 1, 2011.

In total, the QST will be 9.5% as of January 1, 2012. For consumers, the combined effective rate of the GST and the QST will be on the order of 15%, the same as from 1998 to 2006. We are going to fill the tax room vacated by the federal government, as many have recommended we do.

But, we are going to protect low-income households from this increase.

Furthermore, we are determined to recover the $2.2 billion we have been claiming from the federal government for harmonizing the QST with the GST. We are entitled to expect fair treatment from the federal government, which recently granted compensation to Ontario and British Columbia following harmonization of their sales taxes with the GST.

The effort required must be shared by all. We are going to ask our financial institutions to make a special contribution toward putting the public finances in order.

> I am announcing that the compensatory tax of financial institutions will be raised.

This measure will be effective as of tomorrow. It will remain in effect until March 31, 2014 and, in the interim, will yield $471 million for restoring budgetary balance. That is in addition to the current budgetary effort of banks and other financial institutions, which pay Québec almost $1.3 billion a year in taxes.

In addition, a revision of the mining duties regime will result in the mining industry's contributing over $240 million more to government coffers over the next five years. That will put the tax and duties paid by the mining industry to the Québec government during that period at just over $1 billion. In this way, Québec will receive a fairer share of the extraction of mineral resources belonging to the public domain.

❑ *Fair fee-setting*

User fees are an efficient way to finance quality public services. Many user fees for government services have not been raised in years.

Each service delivered by the government begs the question: what is the fair share you and I should pay individually as users? And what is the fair share of the population as a whole?

A sea change in culture is necessary. It would even be fair to talk about a cultural revolution . . .

Setting fees based on the cost of products and services offers two advantages. One, the person who uses the service assumes part of its cost. That avoids waste and encourages rational use of government services. Two, user fees are a means of improving and maintaining quality services.

That is why the policy for the funding of public services provides for the adjustment and indexing of all government fees, with the exception of daycare fees.

For example, the daily rate for adults charged by the Société des établissements de plein air du Québec for access to national parks has been $3.50 for nine years. This rate will be raised to $5.50. As a result, Sépaq will be able to improve its services.

Ensuring funding for health care

I would now like to address the subject of health-care services.

The health system's share of program spending rose from 31% in 1980 to 45% in 2010. At that rate, the budget of the Ministère de la Santé et des Services sociaux will account for two thirds of program spending in 2030. Resolving the issue of health-care funding is absolutely crucial to regaining control of our public finances.

The Clair report in 2000, the Ménard report in 2005 and the Castonguay report in 2008 all proposed concrete solutions for improving the funding of our health services. More recently, the Advisory Committee on the Economy and Public Finances made suggestions.

The subject is not an easy one. Tempers are quick to fray when changes are proposed to our health system. Opinion too often takes a back seat to dogma.

However, the time has come to move on to a new stage.

I am tabling with this budget a document presenting the government's policy directions for the performance and funding of the health system. The measures we propose are based on shared responsibility by the government and Quebecers. The measures have three components.

The first component concerns improvement of the health system's efficiency and productivity.

To that end, we will undertake:

- a global effort to optimize work processes in each institution;
- the rationalization of technological and computer infrastructures and the implementation of promising new technologies;
- a review of the network's governance, particularly the linkages between the Ministère de la Santé et des Services sociaux, the health-care agencies and the institutions, with a view to improving efficiency.

From an operational standpoint, people on the ground in the health system often have concrete ideas for increasing work productivity and efficiency at their institution.

To facilitate such initiatives, we are proposing the creation of a fund to finance promising projects from the health community.

The second component concerns health funding. Efficiency gains in the network will not be enough to meet health-care needs, which keep increasing year after year. New sources of funding must be found.

New sources of revenue will maintain growth in total health spending at 5% a year. That rate will ensure quality health services as well as maintenance of the government's other essential missions.

All Quebecers benefit from our health-care system. All Quebecers will contribute to funding it, according to his or her means.

> I am announcing the introduction of a general health contribution as of July 1, 2010. The health contribution will apply to all adults in Québec, with the exception of low incomers. It will be $25 per adult in 2010, $100 in 2011 and $200 in 2012. These revenues will be paid into a dedicated fund that will provide direct financing to health-care institutions on the basis of their productivity and results. The health contribution will stimulate efficiency.

We are also considering a health deductible, calculated on the basis of the number of medical visits during the year. Such a deductible was proposed in the Castonguay report on health funding. The deductible could be adjustable so as to encourage people to use front-line services.

In addition to financing institutions, the deductible would have a positive impact on the behaviour of health-care providers and users. A modulated deductible would encourage Quebecers to make rational use of the services available to them, in particular by directing them to the most appropriate resource in the circumstances. It would also encourage institutions to be more efficient so as to be able to treat more patients. The revenues from the deductible would be distributed to the institutions where the services were provided.

This form of funding with an orienting effect is used successfully in several European countries.

In the coming months, we will work with our partners to study the results in other jurisdictions that have implemented a deductible. We will draw on the systems that have proven most effective and adapt them to the context of Québec.

Quebecers want to know how their money is being spent. I repeat, the health contributions collected and any future deductibles will be paid directly into a fund for financing health care.

The third component of our reform concerns the financial transparency of the health system. A complete financial picture of the health system is essential to informed debate.

Henceforward, we will file the "Health Accounts" annually. This financial report will give full particulars of health spending, spending changes, funding sources and health system performance indicators. Quebecers will know how their money is being spent.

The health accounts will be made public each fall by my colleague, the Minister of Health and Social Services.

I hope that all our partners will greet the proposed changes with an open mind. The current situation is unsustainable in the long term. The time has come to implement efficient, lasting solutions to ensure the sustainability of our public health-care system.

Maintaining our social safety net

Budgetary balance will not be restored at the expense of social justice.

We are protecting our values by improving the living conditions of Quebecers, particularly the most disadvantaged and seniors.

We are aware that the tax and user-fee increases may have an impact on Quebecers' budgets.

> To protect the purchasing power of less affluent households, I am announcing the creation of the refundable solidarity tax credit.

The new tax credit will replace the QST credit, the property tax refund and the tax credit for individuals living in a northern village. It will be simpler to apply.

The new tax credit will benefit 200 000 more households than the existing tax credits, and each household will receive, on average, an extra $174 a year. The tax credit will be paid monthly, as of July 2011, which will help augment the cash resources of recipient households. Once the tax credit is fully implemented, the government will pay out $1.4 billion annually in respect of the credit—$510 million more than in respect of the existing tax credits.

We are also going to increase our financial assistance for projects aimed at increasing respect for seniors and promoting active aging. To that end, $4 million a year in 2010-2011 and 2011-2012 will be allocated to my colleague, the Minister responsible for Seniors.

In addition, we will enhance the refundable tax credit for home support for elderly persons living in a residence. More Quebecers will be able to claim the credit more easily.

❑ *The plan to combat poverty*

Since 2004-2005, the government has devoted $4.5 billion to its plan to combat poverty. It has produced results of which all Quebecers can be proud. For example, the poverty rate of Québec families is 20% lower than that of Canadian families. The poverty rate of children is the lowest of all the Canadian provinces. The plan expires this year.

> I am announcing that the plan to combat poverty will be renewed for five years, until 2014-2015.

The new plan provides for additional investments of $1.3 billion over the next five years. In particular, it maintains the existing programs for the most underprivileged.

My colleague, the Minister of Employment and Social Solidarity, will unveil the particulars of the new plan to combat poverty in the coming weeks.

We are also going to continue developing social housing.

Since 2004, we have built 27 000 social housing units.

> I am announcing that we will build 3 000 new social housing units.

That will put our investments at almost $3 billion for the 30 000 social housing units announced since 2004.

Northern Québec is in urgent need of new housing. We are going to build another 340 social housing units in the region.

These new social housing units will improve, in particular, the living conditions of Québec's Inuit population. We ask that the federal government do its part.

A gradual and fair effort

All of the budgetary measures that are part of the effort to restore budgetary balance and reduce indebtedness will be included in an omnibus bill that I will be tabling before the National Assembly in the weeks to come.

These measures are necessary to protect our values, which are reflected in our public services.

Our approach is gradual. Of the $12.3 billion to be determined, last year's budget established $6.3 billion as the effort required to restore budgetary balance in 2013-2014. This budget contains $4.9 billion in new measures. Thus, to date, we have announced and identified over 90% of the measures that will enable us to balance the books in 2013-2014. We will determine the remainder when the time comes, in light of the prevailing economic and financial situation.

Our approach is fair. In fact, the government will assume 62% of the effort required to eliminate the deficit, by tightening its spending, increasing the efficiency of public bodies and combating tax evasion. The remaining contribution will fall to citizens and businesses.

That said, Quebecers are in a better position to make such a contribution now than they were seven years ago.

Since we came to power in 2003, there has been a drop in both the unemployment rate and the number of social assistance recipients. Furthermore, the disposable income and purchasing power of Quebecers have both increased.

Even taking into account all of the measures to restore budgetary balance, the purchasing power of a couple with two children and $40 000 in income is $7 200 higher today than in 2003. A family with two children and $100 000 in income has a net gain of $3 800 over 2003.

The initiatives we are announcing today will have little impact on Quebecers' disposable income in 2010. They will take effect gradually so that Quebecers can prepare for them. They come with compensatory measures to protect less affluent households. We have also made sure their impact on economic growth would be minimized.

We are acting responsibly to put our public finances back on a solid footing—a footing on which to build our future.

3. IN THE LONGER TERM: LIBERATING THE AMBITIONS OF QUEBECERS

Solidifying recovery; restoring budgetary balance. These are prerequisites for pursuing the ambitions of Quebecers. Now we have to go further.

In the longer term, the prosperity and well-being of Quebecers will depend on a stronger economy that is more productive and more competitive. The full potential underpinning the ambitions of Quebecers must be liberated. This will mean meeting our demographic challenge and enhancing our performance. It will involve pursuing our green shift, and encouraging the expression and reach of our culture.

We are embarking on an ambitious process for building Québec for the next 20 years.

Meeting the demographic challenge

❑ *Increasing labour market participation*

But let's talk first about the demographic challenge.

I repeat: if we do not take action, the decline in the working-age population could take away one third of economic growth potential in no more than ten years. We must move to correct that trend.

There are two levers available to us:

— take action on demographics;

— take action on employment.

We are doing both.

As regards demographics, the government has taken several initiatives with respect to families and immigration since 2003 in order to spur population growth.

Québec government financial assistance for families rose more than 58% between 2003 and 2009. That advantageous family policy has already borne fruit.

— For the first time in 50 years, Québec's fertility rate exceeded that of Canada.

Recently, the Institut de la statistique du Québec even substantially adjusted its demographic projections upward.

The second lever is employment. To maintain our economic potential, we must change how we relate to work. We must foster "active aging." Our seniors are enjoying good health longer than ever, and they have invaluable experience that we respect and want to turn to advantage.

All Quebecers who so wish, particularly experienced workers, must be able to continue to actively participate in Québec's economic life. In that way, we will mitigate the negative impact of population aging.

Labour market participation is a complex question. We must analyze it carefully.

> I am announcing the creation of the Commission nationale sur la participation au marché du travail. It will explore the avenues that will enable Québec to maximize the quality and size of its labour force.

The Commission will be co-chaired by Françoise Bertrand, president of the Fédération des chambres de commerce du Québec, and Gilles Demers, an economist and a recently retired deputy minister who has chosen active aging. They are obvious choices to chair the Commission. I thank them for collaborating with the government on this endeavour.

The Commission will table an interim report in February 2011 and a final report in fall 2011.

Levers to improve our performance

To create the conditions for sustainable prosperity, now is the time to pull the levers that will increase our productivity and performance.

— We are going to take action on three fronts: education, innovation and the business environment.

❑ *Education, the key to the success of a modern society and economy*

Today, all developed economies are knowledge economies. That is why the government is making education a priority.

It is up to the government to create an environment favourable to a quality education and the training of a labour force that meets labour market needs.

> As of now, I am announcing $75 million to bring vocational and technical programs up to date and improve the training available in all regions.

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Our universities play a more crucial role than ever in our economic, social and cultural development.

Québec has recognized this by ending the freeze on tuition fees that had been in place for more than ten years and, in particular, by reinvesting massively in our

network of universities. From 2003-2004 to 2009-2010, university transfer expenditures rose an average of 5.9% a year—as rapidly as those for health.

Of all the Canadian provinces, the Québec government is the one that funds its universities the most.

Taking into account the growth forecast for 2010-2011, the government's annual contribution to university funding has climbed by $1 billion since 2003.

But more must be done.

Our universities must compare favourably with the world's best institutions. To fully play their role, they must have the necessary resources. To that end,

> I am announcing that our government will raise university tuition fees as of fall 2012.

To flesh out the details of the increase, my colleague, the Minister of Education, Recreation and Sports, will undertake on a process culminating in a meeting of education partners next fall. The meeting will deal with the performance and efficiency of the university network in the areas of teaching, research and management.

It will also be an opportunity to discuss the resources—from the standpoint of amounts, and funding sources and methods—to be devoted to university instruction.

The quality of teaching and research, as well as access to university studies, will be central to the talks. Universities must undertake to implement plans to improve the quality of services provided to students and eliminate accumulated deficits.

The meeting of education partners will also be a chance to discuss other issues, such as:

— school democracy; and

— instruction tailored to future labour market needs.

❑ *A creative and innovative economy*

Second path toward productivity gains: innovation.

With the Québec Research and Innovation Strategy, we have laid the groundwork for an innovative economy. We are continuing our efforts to create conditions to support creativity.

> I am announcing the updating and extension of the Québec Research and Innovation Strategy.

Taking into account the additional budgets, the amounts carried over from the previous strategy, the launching of mobilizing technology demonstration projects, and the investments in research infrastructure, the government will devote more than $1.1 billion to innovation over the next three years.

The details of the new Québec Research and Innovation Strategy will be unveiled in the coming weeks by my colleague, the Minister of Economic Development, Innovation and Export Trade.

❑ *A competitive business environment*

To contribute to wealth and job creation, Québec businesses must have a competitive business environment.

The government put in place a tax system more favourable to investment in order to increase business productivity. In particular, we eliminated the tax on capital and introduced an investment tax credit.

In addition, in December, we made changes to the investment tax credit and the tax assistance for the resource regions in order to increase the Québec tax system's focus on investment. The enhancements will inject approximately $100 million annually into our economy.

In the context of a strong Canadian dollar, we must continue to support exports to enable our companies to take advantage of new markets.

> To strengthen Québec companies with export potential, I am announcing that we are going to allocate $50 million over three years to Investissement Québec. These amounts will be invested in Québec SMEs interested in developing new export markets.

This financial tool is in addition to the initiative announced last January by the Caisse de dépôt et placement du Québec, the Mouvement Desjardins and Capital régional et coopératif Desjardins, which have joined forces to provide $600 million for the development of Québec SMEs, including exporting SMEs.

Thus, $650 million will be available to Québec's exporting SMEs.

> I am also announcing the creation of the Fonds d'investissements pour la relève agricole.

This fund will receive $75 million over five years from the Financière agricole du Québec, in collaboration with the Fonds de solidarité FTQ and Capital régional et coopératif Desjardins. It will support young Quebecers who want to go into agriculture, by facilitating access to the necessary capital. My colleague, the Minister of Agriculture, Fisheries and Food, will soon make known the details concerning the fund.

Montréal, an essential component for balanced development

Québec's development must rely on three pillars: a strong national capital, strong regions and a strong metropolis. Each one needs the others to ensure its own future. To neglect one would be to neglect the development of Québec as a whole.

Some regions were hard hit by job losses, in particular in the forestry sector. Our strategy for supporting recovery includes initiatives for the regions totalling $56.5 million in 2010-2011, and $255.5 million over the next three fiscal years. The Québec Infrastructure Plan and Hydro-Québec's investment plan generate substantial economic benefits for Québec's regions.

Even in the midst of economic turmoil, the Capitale-Nationale region remained remarkably vigorous. Its unemployment rate of 4.1% is among the lowest in Canada. To capitalize on that vitality, we are renewing for five years our support for the development of the national capital.

World competition is played out between the large metropolises. Our metropolis plays a unique role in Québec's development. Strengthening its economy is key to sustainable prosperity for Québec.

True, the promotion of Montréal requires the government's input, but it also requires the participation of socioeconomic partners, particularly the Ville de Montréal, the Communauté métropolitaine de Montréal, employer and union associations, and financial sector stakeholders.

The Imagining-Building Montréal 2025 development strategy and the funds allocated for its implementation have greatly contributed to the city's vitality. We are extending our support until 2017 through an injection of $175 million.

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The financial sector plays a leading role in the economic development of Montréal and Québec as a whole.

The financial services industry would benefit from better cohesion. The government will support the creation of a round table for the development and advancement of Montréal's financial sector. The Mouvement Desjardins and the Caisse de dépôt et placement du Québec will be among the founding members.

The international financial centres regime was introduced in 1986 to facilitate the establishment, development and maintenance within the metropolis of international financial operations.

> I am announcing that we are replacing the current regime with a refundable tax credit respecting the salaries paid to employees.

Thus, the program will continue to play its catalyst role and facilitate the development of promising new activities in Montréal.

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For any metropolis, the quality of airport infrastructure is a factor in attracting head offices, research centres and other engines of development. Aéroports de Montréal's work in this regard in the past ten years should be underscored.

The airport-to-downtown connection is integral to the quality of airport services. Montréal must be provided with an efficient link to its airport. In fact, that project was recognized as a priority at the 2002 Montréal economic summit. The time has come to take action.

> I am announcing that we are going to allocate $200 million to the creation of an express rail link between the airport and downtown Montréal. The project will be carried out by Aéroports de Montréal.

We are counting on the support of the federal government to ensure that this essential project can go forward as soon as possible.

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More generally, public transit infrastructure is central to the economic development and appeal of large cities. We will give the agglomerations of Montréal and Québec City the means to invest in their public transit system.

As of 2010-2011, if the authorities of the metropolitan communities of Montréal or Québec City so request, the government will apply an increase in the tax on gasoline of up to 1.5 cents per litre on their territory. However, it comes with a firm condition: the income thus collected must not be used to reduce the cities' or users' share of the funding of the metropolitan transport systems.

Building a green economy

Sustainable development will be an important thrust and a signature feature of our economy for the next 20 years at least. It is important to continue the green shift initiated by our government in 2006.

Tackling climate change will provide Québec with new opportunities and openings for developing a green economy.

❑ *Reducing greenhouse gas emissions*

Quebecers want Québec to remain a leader in the fight against climate change.

In November, the government announced Québec's greenhouse gas emissions reduction target for 2020: 20% below 1990 levels.

In 2020, Québec's per capita emissions rate will be the lowest in North America.

Achieving our reduction target will prevent the emission of 21 million tonnes of greenhouse gases in 2020. That is the equivalent of 5 million cars today, almost the entire current vehicle fleet in Québec.

The government is firmly engaged in the actions defined up to 2012 in the 2006-2012 action plan on climate change and is already laying the groundwork for 2020.

For example, we are encouraging a green shift for heavy vehicles.

As of this year, new trucks and tractors used for hauling freight must meet the new North American pollution emission standards.

To encourage the purchase of new, more environmentally friendly vehicles, we are adjusting the capital cost allowance rate for trucks and tractors used to haul freight.

Electrifying our transportation system would enable us to substantially reduce emissions, while reducing our dependency on petroleum.

> I am announcing the implementation of the industrial policy for the development of an electric vehicle sector.

The policy banks on Québec know-how and the presence of businesses with the skills required to help builders develop electric vehicles.

It will facilitate innovative projects such as the development of an electric bus. Such a project will provide the opportunity to showcase and commercialize Québec technologies and our industrial potential.

My colleagues, the Minister of Natural Resources and Wildlife, the Minister of Sustainable Development, Environment and Parks, and the Minister of Economic Development, Innovation and Export Trade, will present an action plan building on the industrial policy for the development of an electric vehicle sector.

Thanks to hydroelectricity, Québec businesses have access to a competitive form of renewable energy with lower environmental and climate impacts than other conventional sources of electricity generation. For equal electricity consumption, a business in Québec has a smaller carbon footprint than a business almost anywhere else in the world. For example, a tonne of aluminum produced in Québec generates 5 times less greenhouse gas than the same tonne produced in China. Internationally, that is a competitive edge for any business in Québec.

Our companies must capitalize on that competitive edge to market their products abroad.

I am announcing the introduction of financial assistance of $24 million over three years to encourage the commercialization of products made in Québec that have obtained carbon footprint certification.

❑ *Sustainable and responsible management of our resources*

We must develop two assets of the Québec economy: natural resources and the territory. We will do that by focusing, in particular, on:

— deployment of the Northern Plan;

— development of our hydraulic and wind-power resources.

The Northern Plan is a project for the long-term development of Northern Québec. It will give rise to numerous possibilities for action through collaborative efforts with First Nations, the Inuit and local communities.

The Northern Plan is also aimed at enhancing the territory's natural heritage. The government is maintaining its commitment to exclude 50% of the territory covered by the Northern Plan from all industrial activity, as well as its objective of planting 100 million trees in the northern regions of Québec.

The government laid the foundations of the Northern Plan in the 2009-2010 Budget. This budget goes further.

I am announcing that we will allocate $57 million over three years to ensure the smooth functioning of the current process and encourage initiatives that will meet the needs expressed by local communities.

Québec's prosperity also depends on sustainable and responsible development of our hydraulic and wind-power resources.

Water is an exceptional source of collective wealth for Québec.

It is a precious resource for the planet.

Environmental water management requires that users be made aware of the resource's value.

I am announcing that, as of January 1, 2011, we are going to charge a royalty on water used as an input or in production processes.

Moreover, the development of our resources must be done through implementation of innovative projects such as the construction of wind farms. But, because of the recession, a number of wind-energy developers have trouble securing financing for their projects.

I am announcing the implementation of a temporary financial assistance program for wind-energy projects that must be implemented between 2010 and 2012.

In addition, we are going to broaden the accelerated capital cost allowance to include equipment used for clean-energy production and energy conservation.

Furthermore, the government is following with interest the promising developments in natural gas exploration in Québec.

A dynamic culture

I would now like to talk about culture.

There is more to Québec's development than just budgetary issues. Culture is also part of the economy. It is a means of individual and collective expression. It is the reflection of the values of our nation. As early as 2003, we pledged to make culture one of the priority missions of the Québec government.

Our creators must be able to shine abroad. We are therefore investing $9 million over the next three years to continue supporting our artists on the world stage. This measure mitigates the impact of federal cuts to programs that helped our artists reach international audiences.

I have already announced improvements to the tax credit for film production services.

The results were immediate. We have already received confirmation that foreign productions worth over $200 million will be carried out in Québec in 2010. That is three times more than in 2009.

It is also important to invest in the vitality of our cultural businesses and organizations. The financial crisis has had detrimental effects on their financing.

To offer them more financing possibilities, I am announcing an initial contribution of $10 million to the Société de développement des entreprises culturelles, a contribution that could reach $30 million. This will enable the Société to increase its loan and loan guarantee activities for cultural businesses.

In recent years, a number of symphony orchestras have had financial problems.

To bolster government funding for cultural organizations, I am announcing the creation of a fund, by Loto-Québec, to support the Orchestre symphonique de Montréal. Loto-Québec will pay $10 million into the fund in 2010-2011 and $8.5 million subsequently.

The government will thereby be able to provide greater support to other cultural activities, such as:

— the Orchestre métropolitain du Grand Montréal;

— Québec symphony and chamber orchestras;

— the Internationale d'opéra de Québec;

— the Opéra de Montréal;

and other cultural organizations and organizations of higher education and specialized training in all regions of Québec.

My colleague, the Minister of Culture, Communications and the Status of Women, will make announcements in this regard in the weeks to come.

In 1961, the government of Jean Lesage created the Ministère des Affaires culturelles to help our culture reach an audience at home and abroad. The department will turn 50 next year, making it the oldest department of cultural affairs in North America. The government wishes to commemorate this anniversary.

> I am announcing the renovation of the Wilder Building, which will house cultural organizations, as well as offices of the Ministère de la Culture, des Communications et de la Condition féminine.

My colleagues, the Minister of Culture, Communications and Status of Women, and the Minister of Government Services, will be announcing the details of the implementation of this project soon.

Promoting intergenerational equity

As I said at the start of this speech, this budget addresses the common good of all Quebecers. Equity and solidarity are as much a practice between generations as between individuals.

In 2006, our government created the Generations Fund to ensure that our children and grandchildren assume only their fair share of the debt contracted by their parents and grandparents.

Our indebtedness is the highest of all the Canadian provinces. Even though part of that indebtedness represents quality assets, even though the Québec economy is diversified, even though Québec has abundant natural resources, this situation is cause for concern. We must ease the burden of future generations of Quebecers.

The objective of the Generations Fund was to substantially reduce the debt-to-GDP ratio in 2026. Because of the accounting reform and the deficits run to combat last year's recession, we must revise the ratio and set a new target.

We had given ourselves until the 2011-2012 Budget to do so. We will not wait until then.

> I am announcing that, as of today, our objective will be to reduce the debt representing accumulated deficits to 17% of GDP in 2026, a 50% reduction in the current ratio of 35.4%.

Why is the debt target expressed in terms of accumulated deficits?

Because, in the case of the government's finances as in the case of a household's finances, there are different kinds of debts.

The portion of the debt we must rapidly pay down is that representing accumulated deficits, i.e. "bad debt," the equivalent of the unpaid balance on a credit card.

The other portion of the debt, "good debt," serves to finance our assets, that is, our hydroelectric dams, our roads, our schools and our hospitals. Like a mortgage, it is appropriate to amortize it over time.

This debt has grown considerably in recent years because of the Québec Infrastructure Plan—it's a little like a homeowner who adds to his or her mortgage loan in order pay for major home renovations.

We are therefore setting a gross debt target. Our gross debt currently stands at 53.2% of GDP. Our objective is to reduce that ratio to 45% in 2026.

We are amending the Generations Fund legislation to incorporate the new debt reduction objectives.

You will recall that we continued making payments to the Generations Fund despite the recession and budget deficits. We will pay $892 million into the fund this year, bringing the balance up to $3.6 billion.

To achieve our objectives to reduce the debt burden, we must devote new sources of funding to the Generations Fund starting in 2014, once public finances have been balanced.

Currently, the Generations Fund is primarily funded through royalties paid by Hydro-Québec and private electricity producers on water they use to generate electricity.

Quebecers are proud of the hydroelectric development carried on in Québec. It has played a major role in developing our economy, our regions and our society. It is a source of wealth that we will rely on to pay down our debt.

The rates Quebecers pay for their electricity are lower than almost anywhere else in North America. Electricity prices in New York and Boston are at least three times higher than in Québec. In Toronto, the price of electricity is 66% higher than in Québec.

We benefit today from the hydroelectric developments in the 1960s, 70s and 80s, at 1960s, 70s and 80s prices.

Today, the cost of heritage pool electricity is set at 2.79 cents per kilowatt hour. It has been frozen since it was established in 2000. But the cost of electricity produced by new hydroelectric projects and other sources of renewable energy such as wind power is over 8 cents per kilowatt hour.

The low rate has caused Québec consumers to undervalue this precious resource. There is little incentive for Quebecers to improve their energy efficiency.

> I am announcing that, as of 2014, we are going to gradually raise the price of heritage pool electricity supplied by Hydro-Québec to reach an increase of 1 cent per kilowatt hour in 2018. The increase will result in an average rate increase of 3.7% a year for almost all Hydro-Québec customers.

Companies will absorb half the impact of the increase.

Subsequently, the cost of heritage pool electricity will be indexed at the rate of inflation. We will ensure that residential electricity rates remain below the Canadian average.

To mitigate the impact of the higher heritage pool electricity price, the government is asking Hydro-Québec to enhance its energy efficiency objective. The new objective will be ambitious and will be established in the coming months. Greater energy efficiency will mean savings for consumers.

Less affluent households will be shielded from the impact of the rate increases. The new solidarity tax credit I announced earlier will be adjusted to account for the higher rates.

Industrial customers paying the large-power rate ("L") will be exempt from the increase in the price of heritage pool electricity, but not from Hydro-Québec's normal rate increases. For these customers, which include 150 large industrial companies, electricity accounts for a large portion of production costs.

Many of these companies are located in the regions, where their contribution to the economy and employment is vital. Higher electricity costs would considerably reduce their profitability and could even cause some of them to close.

Moreover, a few energy-intensive companies concluded special supply contracts with Hydro-Québec in the 1980s. Several of these contracts expire between 2014 and 2016.

These contracts will not be renewed. Hydro-Québec will therefore be able to bring in an additional $160 million a year.

When fully implemented, in 2018, the increase in the price of heritage pool electricity will represent additional revenues of $1.6 billion annually.

All of these revenues will go directly into the Generations Fund to pay down the debt.

They will enable us to attain our indebtedness objectives. By agreeing to pay a little more for electricity, which will remain exceptionally cheap, Quebecers and Québec businesses will discharge their responsibility to future generations.

Conclusion

Mr. President:

The immediate objective of this budget is to protect our economic and social gains, but its ultimate goal is to better enable Quebecers to fulfil their ambitions for themselves, their loved ones and their community.

This budget will foster the emergence of a prosperous, creative and green Québec. A Québec present on all the world markets thanks to entrepreneurs and international centres for excellence, thanks to natural resources and thanks, most of all, to Quebecers themselves.

This budget is in the image of Quebecers: ambitious and realistic. It proposes strategies for ensuring the prosperity and well-being of Quebecers in the short term by solidifying economic recovery, in the medium term by eliminating the deficit, and in the longer term by fostering the emergence of a stronger, more competitive economy.

In so doing, it addresses five pressing issues for our society:

- This budget provides a stronger response to the issue of three decades of infrastructure neglect.
- This budget provides a fair and realistic response to balancing public finances.
- This budget provides a fair and realistic response to the issue of health-care performance and funding.
- This budget provides a fair and realistic response to the issue of the public debt.
- Lastly, this budget lays the foundations of a fair and realistic policy for the future of our universities.

This budget takes a stand for the common good of the present and future generations of Quebecers. That implies responsibility, equity and solidarity.

First, responsibility: above all, that of the government, which will spare neither rigour nor effort in managing our resources; that of businesses, which will do their part while continuing to create the wealth necessary for the fulfilment of the ambitions we all have; and that of Quebecers, who will assume their fair share of the public services they receive.

Next, equity: between all Quebecers, regardless of their milieu and the generation to which they belong—or will belong.

And lastly, solidarity: it requires that we each contribute, within our means, to the well-being of Québec and the preparation of our common future.

Quebecers are ambitious. I know they have the courage to pursue their ambitions.

In closing, I propose, Mr. President, that the National Assembly approve the government's budgetary policy.

Thank you.

Québec government
Summary of consolidated budgetary transactions
2009-2010 fiscal year
(millions of dollars)

	March 2009 Budget	Preliminary results
BUDGETARY REVENUE		
Own-source revenue	47 371	47 421
Federal transfers	14 841	15 229
Total	**62 212**	**62 650**
BUDGETARY EXPENDITURE		
Program spending	– 59 989	– 60 769
Debt service	– 6 104	– 6 154
Total	**– 66 093**	**– 66 923**
NET RESULTS OF CONSOLIDATED ENTITIES	355	598
Contingency reserve		– 300
DEFICIT	**– 3 526**	**– 3 975**
Deposit of dedicated revenues in the Generations Fund	– 715	– 715
Stabilization reserve	295	433
BUDGETARY BALANCE FOR THE PURPOSES OF THE *BALANCED BUDGET ACT*	**– 3 946**	**– 4 257**

Québec government
Summary of consolidated budgetary transactions[1]
2010-2011 forecast
(millions of dollars)

BUDGETARY REVENUE	
Own-source revenue	50 152
Federal transfers	15 325
Total	**65 477**
BUDGETARY EXPENDITURE	
Program spending	– 62 561
Debt service	– 6 980
Total	**– 69 541**
NET RESULTS OF CONSOLIDATED ENTITIES	750
Contingency reserve	– 300
DEFICIT	**– 3 614**
Deposit of dedicated revenues in the Generations Fund	– 892
BUDGETARY BALANCE FOR THE PURPOSES OF THE *BALANCED BUDGET ACT*	**– 4 506**

1 Including the impact of the plan to restore fiscal balance.

Québec government
Budgetary revenue of the Consolidated Revenue Fund[1]
2010-2011 forecast
(millions of dollars)

OWN-SOURCE REVENUE	
Income and property taxes	
Personal income tax	18 644
Health Services Fund	5 843
Corporate taxes[2]	4 046
	28 533
Consumption taxes	
Retail sales	11 820
Fuel	1 837
Tobacco	619
Alcoholic beverages	437
	14 713
Duties and permits	
Motor vehicles	773
Natural resources	28
Other	212
	1 013
Miscellaneous	
Sales of goods and services	411
Interest	512
Fines, forfeitures and recoveries	480
	1 403
Revenue from government enterprises	
Hydro-Québec	2 425
Loto-Québec	1 282
Société des alcools du Québec	882
Other	– 99
	4 490
Total	**50 152**
FEDERAL TRANSFERS	
Equalization	8 552
Health transfers	4 264
Transfers for post-secondary education and other social programs	1 432
Other programs	1 077
Total	**15 325**
TOTAL BUDGETARY REVENUE	**65 477**

1 Including the impact of the plan to restore fiscal balance.
2 Includes tax on corporate profits, tax on capital and tax on premiums in lieu of the tax on capital for insurance companies, as well as the tax on public services.

Québec government
Budgetary expenditure of the Consolidated Revenue Fund[1]
2010-2011 forecast
(millions of dollars)

PROGRAM SPENDING	
Affaires municipales, Régions et Occupation du territoire	1 871.4
Agriculture, Pêcheries et Alimentation	1 068.2
Assemblée nationale	116.7
Conseil du trésor et Administration gouvernementale	712.7
Conseil exécutif	358.6
Culture, Communications et Condition féminine	666.1
Développement durable, Environnement et Parcs	203.9
Développement économique, Innovation et Exportation	1 044.4
Éducation, Loisir et Sport	14 805.0
Emploi et Solidarité sociale	4 283.9
Famille et Aînés	2 178.6
Finances (excluding debt service)	195.2
Immigration et Communautés culturelles	304.9
Justice	683.7
Personnes désignées par l'Assemblée nationale	69.6
Relations internationales	114.0
Ressources naturelles et Faune	528.7
Revenu	1 087.3
Santé et Services sociaux	27 967.2
Sécurité publique	1 136.4
Services gouvernementaux	197.4
Tourisme	146.1
Transports	2 787.5
Travail	33.5
Total	**62 561.0**
DEBT SERVICE	
Direct debt service	4 398.0
Interest ascribed to the retirement plans	2 597.0
Employee future benefits	– 15.0
Total	**6 980.0**
TOTAL BUDGETARY EXPENDITURE	**69 541.0**

1 Including the impact of the plan to restore fiscal balance.

Québec government
Consolidated non-budgetary transactions
2010-2011 forecast
(millions of dollars)

INVESTMENTS, LOANS AND ADVANCES	
Consolidated Revenue Fund	– 1 103
Consolidated entities	– 178
Total	**– 1 281**
CAPITAL EXPENDITURES	
Consolidated Revenue Fund	
Net investments	– 518
Depreciation	252
Subtotal	**– 266**
Consolidated entities	– 4 387
Total	**– 4 653**
RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS	**2 667**
OTHER ACCOUNTS	
Consolidated Revenue Funds	66
Consolidated entities	– 164
Total	**– 98**
TOTAL CONSOLIDATED NON-BUDGETARY TRANSACTIONS	**– 3 365**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

Québec government
Consolidated financing transactions
2010-2011 forecast
(millions of dollars)

CHANGE IN CASH POSITION	
Consolidated Revenue Fund	3 855
Consolidated entities	—
Total	**3 855**
NET BORRÓWINGS	
Consolidated Revenue Fund	
New borrowings	4 936
Repayment of borrowings	– 3 658
Subtotal	**1 278**
Consolidated entities[1]	
New borrowings	8 152
Repayment of borrowings	– 2 712
Subtotal	**5 440**
Total	**6 718**
RETIREMENT PLANS SINKING FUND, OTHER RETIREMENT PLAN ASSETS AND FUNDS DEDICTATED TO EMPLOYEE FUTURE BENEFITS	**– 2 133**
GENERATIONS FUND	**– 892**
TOTAL CONSOLIDATED FINANCING TRANSACTIONS	**7 548**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 Does not take into account the net borrowings of institutions in the health and social services and education networks contracted in their own name.

Finances
Québec